

Message Text

LIMITED OFFICIAL USE

PAGE 01 JAKART 08108 01 OF 02 201210Z

ACTION EA-09

INFO OCT-01 ISO-00 AS-01 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 FEAE-00 AGRE-00 INT-05 FPC-01

OES-07 /092 W

-----010714 201304Z /47

R 200918Z JUN 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1866

LIMITED OFFICIAL USE SECTION 1 OF 2 JAKARTA 8108

E.O. 11652: N/A

TAGS: EGEN, ECON, EINV, ID

SUBJECT: EMBASSY IMPRESSIONS OF CONFERENCE ORGANIZED BY KADIN AND
PACINDO IN JAKARTA

1. SUMMARY: CONFERENCE ON INDONESIAN ECONOMIC AND INVESTMENT
CLIMATE ORGANIZED BY KADIN AND PACINDO WAS GIVEN CONSIDERABLE
COVERAGE IN LOCAL PRESS. CONFERENCE WAS ATTENDED BY FORTY
SEVEN AMERICAN BUSINESSMEN, FIFTY TWO GOI OFFICIALS AND
INDONESIANS BUSINESS EXECUTIVES, AND AMCHAM INDONESIA REPS.
EMBASSY E/C SECTION REPRESENTED AT ALL MEETINGS. CONFERENCE
WAS HIGHLIGHTED BY COMPREHENSIVE DISCUSSIONS AND COMMENTS
BY MINISTER WIDJOJO AND SADLI. WIDJOJO EMPHASIZED AGAIN
(AS HE HAD AT IGGI MEETING IN AMSTERDAM) GOI DESIRE TO
ACHIEVE "ONE-STOP" MECHANISM FOR INVESTMENT APPROVALS THROUGH
BKPM, BUT ADMITTED IT MAY TAKE TIME BEFORE STREAMLINING
AND ELIMINATION OF RED TAPE HAS BEEN ACCOMPLISHED. SAID
THAT CIEC HAD BROUGHT ABOUT BETTER UNDERSTANDING BETWEEN
NORTH AND SOUTH BUT THAT PARIS MEETING WAS ONLY ONE PHASE
IN DIALOGUE. WHILE WIDJOJO SAID HE WAS ENCOURAGED BY
DEVELOPMENTS IN OIL INCENTIVES NEGOTIATIONS, SADLI WAS
CAUTIOUS IN PROJECTING AN INCREASE IN OIL PRODUCTION
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 JAKART 08108 01 OF 02 201210Z

ABOVE CURRENT 1.7 BILLION BARRELS PER DAY. ARIFIN SIREGAR
(BANK INDONESIA) SAID BALANCE OF PAYMENTS IS COMFORTABLE
AND THIS THERE IS NO NEED TO ADJUST EXCHANGE RATES. CONFERENCE
REFLECTED MORE OPEN ATTITUDE BY GOI IN DISCUSSING
ECONOMY WITH BOTH INDONESIAN AND U.S. BUSINESS INTERESTS
AND MOST OBSERVERS HERE FEEL THAT IT WAS ONE SMALL STEP
IN REBUILDING CONFIDENCE IN FUTURE PROSPECTS OF INDONESIA

FOR FOREIGN INVESTMENT. END SUMMARY.

2. INTRODUCTION: ON JUNE 13 AND 14 A CONFERENCE ON THE ECONOMIC AND INVESTMENT CLIMATE IN INDONESIA TOOK PLACE IN JAKARTA SPONSORED BY KADIN AND PACINDO. KADIN IS THE INDONESIAN CHAMBER OF COMMERCE AND OFFICIAL SPOKESMAN FOR THE INDONESIAN BUSINESS COMMUNITY. IT REPRESENTS APPROXIMATELY SEVEN HUNDRED COMPANIES IN THE JAKARTA AREA ALONE. PACINDO (PACIFIC-INDONESIAN CHAMBER OF COMMERCE) IS THE U.S. WEST COAST ORGANIZATION COMPRISING AMERICAN COMPANIES AND BANKS WITH INTERESTS IN INDONESIA. PACINDO WAS ESTABLISHED IN 1971 AND IS HEADQUARTERED IN SAN FRANCISCO. CONFERENCE WAS ORGANIZED AT INITIATIVE OF BOTH ORGANIZATIONS AND FINAL IMPETUS WAS GIVEN WHEN INDONESIAN CONSUL GENERAL IN SAN FRANCISCO DISCUSSED CONFERENCE WITH MINISTER OF STATE WIDJOJO DURING HIS VISIT THERE LAST APRIL.

2. PARTICIPANTS: KADIN WAS PARTICULARLY SUCCESSFUL IN OBTAINING TOP LEVEL GOI OFFICIALS FOR A FULL TWO-DAY SERIES OF TALKS AND DISCUSSIONS. THESE INCLUDED MINISTER OF STATE WIDJOJO; CHAIRMAN OF CAPITAL INVESTMENT COORDINATING BOARD (BKPM) BARLI HALIM; MINISTER OF MINES SADLI; AND MANAGING DIRECTOR OF BANK OF INDONESIA ARIFIN SIREGAR. IN ADDITION THERE WERE SPEAKERS FROM THE DEPARTMENT OF FORESTRY AND PUBLIC WORKS AND FROM KADIN. CHAIRMAN OF THE MEETING WAS AIR MARSHAL SUWOTO SUKENDAR, GOVERNMENT-APPOINTED CHAIRMAN OF KADIN. DEPUTY CHAIRMAN OF BKPM SOEHOED WAS ALSO ACTIVE PARTICIPANT IN FIRST DAY'S LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JAKART 08108 01 OF 02 201210Z

DELIBERATIONS. FORTY SEVEN AMERICAN BUSINESSMEN, SOME OF THEM FROM THE WEST COAST, AND FIFTY TWO INDONESIAN GOVERNMENT OFFICIALS AND BUSINESS REPRESENTATIVES WERE ON HAND. LIST OF PARTICIPANTS AND FORMAL RECORD OF MEETING (WHEN IT BECOMES AVAILABLE) WILL BE POUCHED TO DEPARTMENT.

3. FOLLOWING ARE HIGHLIGHTS OF STATEMENTS MADE BY KEY GOI OFFICIALS.

A. MINISTER WIDJOJO: MINISTER WIDJOJO, FIRST MAIN SPEAKER, SPENT OVER TWO HOURS WITH THE GROUP. HE DISPENSED WITH A FORMAL STATEMENT AND IMMEDIATELY LAUNCHED INTO A QUESTION AND ANSWER SESSION. HIS ANSWERS WERE COMPREHENSIVE, FORTHCOMING AND CANDID. ON SUBJECT OF INDUSTRIAL DEVELOPMENT WIDJOJO EMPHASIZED NEED TO DEVELOP DOMESTIC MARKET AND CREATE EMPLOYMENT; EXPRESSED GOI DESIRE TO CONCENTRATE ON PROCESSED GOODS FOR EXPORT BUT ALSO NOTED GOI WISH TO STAY AWAY FROM INDUSTRIES THAT ARE "NOT VIABLE". SAID THAT GOI WAS NOT DOGMATIC IN

MATTER OF EMPHASIZING LABOR-INTENSIVE INVESTMENTS SINCE THEY ARE INDUSTRIES WHERE TECHNOLOGY IS FIXED AND WHERE CHOICES ARE LIMITED.

ON SUBJECT DEBT SERVICE RATIO AND OIL REVENUES WIDJOJO GAVE OUTLINE OF DEBT REPAYMENT SITUATION NOTING THAT NON-OIL EXPORT PROJECTIONS HAVE BEEN CONSERVATIVE. HE FELT THAT GENERAL REVIVAL OF WORLD ECONOMY AND EFFECTS OF SUMMIT MEETING IN LONDON AUGURED WELL FOR INDONESIAN EXPORTS. EMPHASIZED GOI RESOLVE TO STAY BELOW 20 PERCENT DEBT SERVICE RATIO AND DESCRIBED 20 PERCENT AS "ABSOLUTE LIMIT." ALSO EMPHASIZED NEED FOR "SELF-DISCIPLINE" BY PUBLIC AND PRIVATE SECTORS IN OBSERVING GOI POLICY TO LIMIT TAKING ON NEW EXPORT AND COMMERCIAL CREDITS.

HE ELABORATED IN CONSIDERABLE DETAIL ON OIL EXPLORATION SITUATION AND GOI'S "BETTER UNDERSTANDING" OF THE OIL COMPANY POSITIONS. FELT THAT THERE HAD BEEN ENCOURAGING DEVELOPMENTS ON BOTH SIDES.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 JAKART 08108 01 OF 02 201210Z

REGARDING INVESTMENT CLIMATE, HE EMPHASIZED GOI DESIRE TO ACHIEVE "ONE-STOP" MECHANISM FOR INVESTMENT APPROVALS THROUGH BKPM, BUT ADMITTED THAT IT MIGHT STILL TAKE A WHILE BEFORE STREAMLINING HAS BEEN ACCOMPLISHED. SAID THAT DISCRETIONARY POWERS OF OTHER GOI MINISTRIES SHOULD BE MODIFIED BUT WOULD NOT WISH TO RAISE HOPES PREMATURELY. HE MADE SIMILAR COMMENT WITH REGARD TO CUSTOMS AND PORT RED TAPE, OBSERVING THAT "THIS IS MY HEADACHE TOO."

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 JAKART 08108 02 OF 02 201217Z

ACTION EA-09

INFO OCT-01 ISO-00 AS-01 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 FEAE-00 AGRE-00 INT-05 FPC-01

OES-07 /092 W

-----010786 201303Z /47

R 200918Z JUN 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1867

LIMITED OFFICIAL USE SECTION 2 OF 2 JAKARTA 8108

REGARDING CIEC, WIDJOJO SAID THAT BETTER UNDERSTANDING HAD BEEN ACHIEVED NOTING PROGRESS ON COMMON FUND. ATMOSPHERE HAD CHANGED CONSIDERABLY SINCE NAIROBI, BUT MORE HAS TO BE DONE. DEVELOPING COUNTRIES ARE LOOKING FOR "EQUALITY OF OPPORTUNITY"; CONTINUED DIALOGUE AND DISCUSSIONS WILL HELP TO MAKE THIS BECOME A REALITY. PARIS MINISTERIAL WAS ONLY ONE PHASE OF THIS EFFORT. ALSO NOTED THAT IF DCS TAKE GOOD CARE OF THEIR OWN ECONOMIES, THIS WOULD HELP SOLVE PROBLEMS OF THE LDCS. WORLD COMMUNITY MUST FEEL THAT LDC PROBLEMS ARE "PART AND PARCEL" OF PROBLEMS IN DC ECONOMIES.

B. MINISTER SADLI: IN TWO HOUR SESSION SADLI GAVE FULL REVIEW OF OIL AND MINERAL SECTOR. HE WAS CAUTIOUS IN PROJECTING AN INCREASE IN PRODUCTION ABOVE THE CURRENT 1.7 BILLION BARRELS OF CRUDE PER DAY NOTING THE "DILEMMA OF INCENTIVES." SAID THAT GOI NOT SURE YET THAT NEW CONTRACT TERMS ARE GOOD ENOUGH FOR "DIFFICULT FIELDS"; HOWEVER, HE FELT NEW TERMS WERE ADEQUATE TO CONTINUE EXPLORATION IN EXISTING AREAS. HE NOTED THAT PRICE OF OIL WAS SUFFICIENTLY HIGH TO ALLOW A MARGIN FOR NEGOTIATIONS ON INCENTIVES BUT THAT THIS FLEXIBILITY DID NOT

LIMITED OFFICIAL USE

PAGE 02 JAKARTA 08108 02 OF 02 201217Z

EXIST WITH MINERALS SUCH AS COPPER. NOTED THAT PERTAMINA WAS EXPANDING BUDGET FOR EXPLORATION AND EXPRESSED HOPE THAT COMPANIES WOULD RESPOND TO GOI OFFER TO PARTICIPATE IN 50-50 PRODUCTION SHARING EXPLORATION IN PERTAMINA'S OWN FIELDS.

C. DR. ARIFIN SIREGAR: BANK INDONESIA MANAGING DIRECTOR ARIFIN SIREGAR TRACED THE COURSE OF THE INDONESIAN ECONOMY DURING RECENT YEARS, NOTING THAT THE GOI SUCCESS IN OVERCOMING THE PERTAMINA CRISIS. HE SAID RATE OF INFLATION FOR FY 1976-7 WAS 12.2 PERCENT AND THAT TARGET FOR THIS YEAR WAS A "AROUND 10 PERCENT". IN RESPONSE TO A QUESTION, SIREGAR SAID THE GOI HAD NOT DEVALUED THE RUPIAH BECAUSE IT HAD FOUND THAT INDONESIAN EXPORTS ARE ABLE TO COMPETE IN WORLD MARKETS. BALANCE OF PAYMENTS POSITION IS COMFORTABLE AND THIS THERE IS NO NEED TO ADJUST EXCHANGE RATES.

4. COMMENTS: CONFERENCE WAS FIRST PUBLIC DIALOGUE ON ECONOMIC CLIMATE SINCE ELECTIONS AND REFLECTED A MORE OPEN ATTITUDE BY GOI TOWARDS DISCUSSING ECONOMY WITH

BOTH INDONESIAN AND U.S. BUSINESS INTERESTS. CONFERENCE ALSO REFLECTED GOI'S STILL RATHER VAGUE EMPHASIS ON PROMOTING THE PRIVATE SECTOR OF THE ECONOMY. VERY FACT THAT CONFERENCE TOOK PLACE AND HIGH LEVEL PARTICIPATION ON INDONESIAN SIDE WAS SIGNIFICANT IN AND OF ITSELF AND MAY BE SEEN AS A GENERAL EFFORT TO ENCOURAGE THE U.S. BUSINESS AND FINANCIAL COMMUNITIES. FURTHERMORE, CONFERENCE CAN BE VIEWED AS GOI GESTURE TOWARDS WEST COAST, ESPECIALLY CALIFORNIA WHICH CONTINUES TO BE SIGNIFICANT CUSTOMER FOR INDONESIAN PRODUCTS, PARTICULARLY OIL, AND WHICH HAS IMPORTANT LONG-RANGE POTENTIAL AS PURCHASER OF INDONESIAN LNG. REPRESENTATIVE OF INDONESIAN CONSULATE IN SAN FRANCISCO, WHO PARTICIPATE IN CONFERENCE, IN FACT STRESSED IMPORTANCE OF TWO-WAY TRADE BETWEEN CALIFORNIA AND INDONESIA. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JAKART 08108 02 OF 02 201217Z

5. KADIN, WHICH REITERATED ITS PLANS TO SET UP A BUSINESS INFORMATION CENTER IN JAKARTA, APPEARED TO EMERGE AS A STRONG SPOKESMAN FOR PRIVATE BUSINESS IN INDONESIA. KADIN'S OUTSPOKEN CRITICISM DURING THE SESSIONS OF GOVERNMENT RED TAPE AND ITS PLEA FOR A CLOSER TIE WITH BAPPENAS WAS UNDOUBTEDLY MUSIC TO THE EARS OF PRESENT AND POTENTIAL INVESTORS. IN SUM, WHILE THE MAIN RESULTS OF THE CONFERENCE WERE PRIMARILY OF A PUBLIC RELATIONS NATURE, MOST OBSERVERS HERE FEEL HOPEFUL THAT IT WAS ONE SMALL STEP IN REBUILDING CONFIDENCE IN THE FUTURE PROSPECTS OF INDONESIA AS THE LAND OF OPPORTUNITY FOR FOREIGN BUSINESSMEN AND INVESTORS. RIVES

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT CLIMATE, PETROLEUM PRODUCTION, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977JAKARTA08108
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770219-0553
Format: TEL
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770640/aaaabjcw.tel
Line Count: 259
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: cb81e779-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2098301
Secure: OPEN
Status: NATIVE
Subject: EMBASSY IMPRESSIONS OF CONFERENCE ORGANIZED BY KADIN AND PACINDO IN JAKARTA
TAGS: EGEN, ECON, EINV, ENRG, ID
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/cb81e779-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009